

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Arbela Township	County Tuscola
Fiscal Year End March 31, 20	Opinion Date May 23, 2006	Date Audit Report Submitted to State July 14, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES ☒ NO ☐

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	None required		
Other (Describe)	<input type="checkbox"/>	None required		
Certified Public Accountant (Firm Name) The Rehmann Group		Telephone Number 989-799-9580		
Street Address 5800 Gratiot		City Saginaw	State MI	Zip 48605
Authorizing CPA Signature 		Printed Name Gerald Deslover		License Number 1101007126

**Arbela Township  
Millington, Michigan**

**Financial Statements**

**March 31, 2006**

# ARBELA TOWNSHIP

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

## INDEPENDENT AUDITORS' REPORT

May 23, 2006

To the Township Board  
Arbela Township  
Millington, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **Arbela Township** as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information **Arbela Township** as of March 31, 2006, and the respective changes in financial position, thereof and the respective budgetary comparisons of the General Fund, Garbage Fund, Police Fund and Fire Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis listed in the table of contents on pages 3-8, is not a required part of the basic financial statement but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ***Arbela Township's*** basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

## **Management Discussion and Analysis**

As Management of Arbela Township, Michigan, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2006. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

### **Financial Highlights**

The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$1,204,580 (net assets). Of this amount \$762,329 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net assets increased by \$37,050 from the previous year.

As of the close of the current fiscal year, the Township's governmental funds reported the prior year. More than 82 percent of this total amount, or \$631,706, is available for spending at the government's discretion (unreserved fund balance).

At the end of the current fiscal year, unreserved fund balance for the general fund was \$123,044 or 28.2 percent of the total general fund expenditures.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include legislative, general government, public safety, public works, recreation and cultural. The Township does not have any business-type activities. The government-wide financial statements can be found on pages 9 and 10 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, garbage, police and fire funds, each of which are considered to be major funds. Data from the other governmental fund (building department fund) is listed as a single, aggregated presentation. Individual fund data for the non-major governmental fund is provided in the form of other governmental funds elsewhere in this report.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for

governmental funds. The basic fiduciary fund financial statement can be found on page 19 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-29 of this report.

**Other Information.** The statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the accompanying notes. Combining and individual fund statements and schedules can be found on pages 32-33 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Arbela Township, assets exceeded liabilities by \$1,204,580 at the close of the most recent fiscal year.

One of the largest portions of the Township's net assets (36 percent) reflects its investment in capital assets. (e.g., land, buildings, equipment and vehicles). The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### **Arbela Township's Net Assets**

	<b>Governmental Activities</b>	
	<b><u>2005</u></b>	<b><u>2006</u></b>
Current and other assets	\$ 716,670	\$ 792,866
Capital assets not being depreciated	67,552	67,552
Capital assets being depreciated	<u>409,933</u>	<u>374,699</u>
Total Assets	<u>1,194,155</u>	<u>1,235,117</u>
Liabilities, current	<u>29,721</u>	<u>30,537</u>
Net Assets:		
Invested in capital assets	477,485	442,251
Unrestricted	<u>686,949</u>	<u>762,329</u>
Total net assets	<u>\$1,164,434</u>	<u>\$1,204,580</u>

The Township's net assets increased by \$37,050 during the current fiscal year. This growth largely reflects the degree to which ongoing revenues exceeded ongoing expenses minus any decrease in spending.



## Arbela Township's Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2006</u>
Revenues:		
Program revenues:		
Charges for services	\$ 66,175	\$ 67,033
Operating grants and contributions	252,851	248,190
Capital grants and contributions	-	9,600
General revenues:		
Property taxes	444,402	457,812
Unrestricted investment earnings	<u>4,308</u>	<u>12,554</u>
Total revenue	<u>767,736</u>	<u>795,189</u>
Expenses:		
Legislative	26,384	23,477
General government	237,612	268,888
Public safety	147,397	151,351
Public works	271,837	309,598
Recreation and culture	<u>14,740</u>	<u>4,825</u>
Total expenses	<u>697,970</u>	<u>758,139</u>
Increase in net assets	69,766	37,050
Net assets, beginning of year	<u>1,094,668</u>	<u>1,167,530</u>
Net assets, end of year	<u>\$1,164,434</u>	<u>\$1,204,580</u>

**Governmental Activities.** Governmental activities increased the Township's net assets by \$37,050 resulting in about 3.3 percent growth in the net assets of the Township. This minimal increase is a result of Township revenues and expenses remaining relatively constant, with revenues slightly out pacing expenses. The increase in the capital grants and contributions for the current year is because the Township, through the Help America Vote Act grant, received two voting machines.

### Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$762,329, an increase of \$72,284 in comparison with the prior year. Approximately 82.6 percent of this total amount (\$630,277) constitutes unreserved fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, undesignated fund balance of the general fund was \$123,044, and total fund balance was \$253,667. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 27 percent of total general fund expenditures.

The fund balance of the Township's general fund decreased by \$5,547 during the current fiscal year. The decrease is attributable to expenditures in excess of revenues.

The fire fund has a total fund balance of \$76,414, which increased by \$19,120 during the year. The increase is primarily attributable to unspent revenues.

The police fund has a total fund balance of \$233,619, which increased by \$48,489 during the year. The increase is primarily attributable to unspent revenues.

The garbage fund has a total fund balance of \$197,200, which increased \$10,504. The increase is primarily attributable to unspent revenues.

### **General Fund Budgetary Highlights**

Differences between the original and final amended budgets for expenditures were relatively minor and the adjustments were made as a part of the Township's budget procedures to address changes in activity during the year.

Budget to actual comparisons for the Township's general fund were generally favorable.

### **Capital Asset and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for its governmental activities as of March 31, 2006, amounted to \$442,251. This investment in capital assets includes land, land improvements, buildings and improvements, equipment and vehicles.

**Arbela Township's  
Capital Assets**  
(net of depreciation)

	<u>Governmental Activities</u>
Land	\$ 67,552
Buildings and improvements	222,462
Equipment	1,875
Vehicles	<u>150,362</u>
Total net capital assets	<u>\$ 442,251</u>

The Township enjoys no long term debt.

**Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the Township's budget for the 2006-07 fiscal year:

The Township is comprised principally of agriculture and residential areas with one commerce corridor.

Inflationary trends in the region compare favorable to national indexes.

Increase in wages, gasoline and our five-year road plan and revenue sharing decreases.

**Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Township's office, 8935 East Birch Run Road, Millington, MI 48746.

## **BASIC FINANCIAL STATEMENTS**

**ARBELA TOWNSHIP  
STATEMENT OF NET ASSETS  
MARCH 31, 2006**

	<u>Primary Government Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 673,296
Accounts receivable	101,615
Prepays	17,955
Capital assets, net:	
Assets not being depreciated	67,552
Assets being depreciated	<u>374,699</u>
Total assets	1,235,117
Liabilities	
Accounts payable	<u>30,537</u>
Net Assets	
Invested in capital assets	442,251
Unrestricted	<u>762,329</u>
Total net assets	<u><u>\$ 1,204,580</u></u>

The accompanying notes are an integral part of these financial statements.

**ARBELA TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2006**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities:					
Legislative	\$ 23,477	\$ -	\$ -	\$ -	\$ (23,477)
General government	268,888	46,087	248,190	9,600	34,989
Public safety	151,351	20,946	-	-	(130,405)
Public works	309,598	-	-	-	(309,598)
Culture and recreation	4,825	-	-	-	(4,825)
Total governmental activities/ primary government	<u>\$ 758,139</u>	<u>\$ 67,033</u>	<u>\$ 248,190</u>	<u>\$ 9,600</u>	<u>(433,316)</u>
General revenues:					
Property taxes					457,812
Unrestricted investment earnings					<u>12,554</u>
Total general revenues					<u>470,366</u>
Change in net assets					37,050
Net assets, beginning of year, as restated					<u>1,167,530</u>
Net assets, end of year					<u>\$ 1,204,580</u>

The accompanying notes are an integral part of these financial statements.

**ARBELA TOWNSHIP  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2006**

ASSETS	General	Garbage
Cash and cash equivalents	\$ 181,470	\$ 186,387
Accounts receivable	39,069	237
Taxes receivable	16,491	22,264
Prepaid expenditures	17,955	-
Total assets	<u>\$ 254,985</u>	<u>\$ 208,888</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	<u>\$ 1,318</u>	<u>\$ 11,688</u>
Fund balances:		
Unreserved -		
Designated for subsequent		
years' expenditures	130,623	-
Undesignated	123,044	197,200
Undesignated, reported in nonmajor:		
Speical revenue funds	<u>-</u>	<u>-</u>
Total fund balances	<u>253,667</u>	<u>197,200</u>
Total liabilities and fund balances	<u>\$ 254,985</u>	<u>\$ 208,888</u>

The accompanying notes are an integral part of these financial statements.

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Police	Fire	Other Governmental Funds	Total
\$ 226,025	\$ 77,690	\$ 1,724	\$ 673,296
288	859	938	41,391
13,909	7,560	-	60,224
-	-	-	17,955
<u>\$ 240,222</u>	<u>\$ 86,109</u>	<u>\$ 2,662</u>	<u>\$ 792,866</u>
<u>\$ 6,603</u>	<u>\$ 9,695</u>	<u>1,233</u>	<u>\$ 30,537</u>
-	-	-	130,623
233,619	76,414	-	630,277
-	-	1,429	1,429
<u>233,619</u>	<u>76,414</u>	<u>1,429</u>	<u>762,329</u>
<u>\$ 240,222</u>	<u>\$ 86,109</u>	<u>\$ 2,662</u>	<u>\$ 792,866</u>



**ARBELA TOWNSHIP**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**MARCH 31, 2006**

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Fund balances - total governmental funds	\$ 762,329
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

Add: Capital assets	783,242
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Subtract: Accumulated depreciation	<u>(340,991)</u>
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Net assets of governmental activities	<u><u>\$ 1,204,580</u></u>
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The accompanying notes are an integral part of these financial statements.

**ARBELA TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

	<u>General</u>	<u>Garbage</u>	<u>Police</u>
Revenues			
Taxes	\$ 143,438	\$ 147,536	\$ 117,318
Licenses and permits	5,313	-	-
Intergovernmental	257,790	-	-
Charges for services	13,330	-	-
Interest and rental income	23,085	3,616	4,533
Other revenue	7,278	-	6,298
	<u>450,234</u>	<u>151,152</u>	<u>128,149</u>
Total revenues			
Expenditures			
Current:			
General government	218,340	-	-
Public safety	3,167	-	79,660
Public works	167,212	140,648	-
Recreation and culture	4,825	-	-
Other expenditures	38,876	-	-
Capital outlay	23,361	-	-
	<u>455,781</u>	<u>140,648</u>	<u>79,660</u>
Total expenditures			
Net change in fund balances	(5,547)	10,504	48,489
Fund balances, beginning of year, as restated	<u>259,214</u>	<u>186,696</u>	<u>185,130</u>
Fund balances, end of year	<u><u>\$ 253,667</u></u>	<u><u>\$ 197,200</u></u>	<u><u>\$ 233,619</u></u>

The accompanying notes are an integral part of these financial statements.

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Fire	Other Governmental Funds	Total
<u>Fire</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 49,520	\$ -	\$ 457,812
-	13,845	19,158
-	-	257,790
-	-	13,330
1,424	62	32,720
803	-	14,379
<u>51,747</u>	<u>13,907</u>	<u>795,189</u>
-	-	218,340
32,627	14,189	129,643
-	-	307,860
-	-	4,825
-	-	38,876
-	-	23,361
<u>32,627</u>	<u>14,189</u>	<u>722,905</u>
19,120	(282)	72,284
<u>57,294</u>	<u>1,711</u>	<u>690,045</u>
<u>\$ 76,414</u>	<u>\$ 1,429</u>	<u>\$ 762,329</u>

**ARBELA TOWNSHIP**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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Net change in fund balances - total governmental funds	\$ 72,284
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Subtract: loss on disposal of capital assets	(9,590)
Subtract: depreciation expense	<u>(25,644)</u>
Change in net assets of governmental activities	<u><u>\$ 37,050</u></u>

The accompanying notes are an integral part of these financial statements.

**ARBELA TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2006**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Taxes	\$ 141,161	\$ 147,002	\$ 143,438	\$ (3,564)
Licenses and permits	2,525	5,313	5,313	-
Intergovernmental:				
Help America Vote Act grant	-	-	9,600	9,600
State shared revenues	230,000	248,190	248,190	-
Charges for services	14,350	17,054	13,330	(3,724)
Interest and rental income	24,450	27,031	23,085	(3,946)
Other revenue	3,000	8,553	7,278	(1,275)
Total revenues	415,486	453,143	450,234	(2,909)
Expenditures				
Current:				
General government	258,599	262,376	218,340	(44,036)
Public safety	8,875	8,875	3,167	(5,708)
Public works	187,902	187,902	167,212	(20,690)
Recreation and culture	9,800	9,825	4,825	(5,000)
Other expenditures	40,600	41,525	38,876	(2,649)
Capital outlay	40,520	40,520	23,361	(17,159)
Total expenditures	546,296	551,023	455,781	(95,242)
Net change in fund balances	(130,810)	(97,880)	(5,547)	92,333
Fund balances, beginning of year, as restated	259,214	259,214	259,214	-
Fund balances, end of year	\$ 128,404	\$ 161,334	\$ 253,667	\$ 92,333

The accompanying notes are an integral part of these financial statements.

**ARBELA TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GARBAGE FUND**  
**FOR THE YEAR ENDED MARCH 31, 2006**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Taxes	\$ 145,400	\$ 147,272	\$ 147,536	\$ 264
Interest and rental income	1,200	3,616	3,616	-
Total revenues	146,600	150,888	151,152	264
Expenditures				
Current:				
Public works	145,000	145,149	140,648	(4,501)
Net change in fund balances	1,600	5,739	10,504	4,765
Fund balances, beginning of year	186,696	186,696	186,696	-
Fund balances, end of year	<u>\$ 188,296</u>	<u>\$ 192,435</u>	<u>\$ 197,200</u>	<u>\$ 4,765</u>

The accompanying notes are an integral part of these financial statements.

**ARBELA TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**POLICE FUND**  
**FOR THE YEAR ENDED MARCH 31, 2006**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Taxes	\$ 112,000	\$ 115,409	\$ 117,318	\$ 1,909
Interest and rental income	1,200	4,533	4,533	-
Other revenue	2,100	6,398	6,298	(100)
Total revenues	115,300	126,341	128,149	1,808
Expenditures				
Current:				
Public safety	102,500	102,874	79,660	(23,214)
Capital outlay	12,800	12,800	-	(12,800)
Total expenditures	115,300	115,674	79,660	(36,014)
Net change in fund balances	-	10,667	48,489	37,822
Fund balances, beginning of year	185,130	185,130	185,130	-
Fund balances, end of year	\$ 185,130	\$ 195,797	\$ 233,619	\$ 37,822

The accompanying notes are an integral part of these financial statements.

**ARBELA TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**FIRE FUND**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Taxes	\$ 48,760	\$ 49,960	\$ 49,520	\$ (440)
Interest and rental income	500	1,423	1,424	1
Other revenue	<u>500</u>	<u>500</u>	<u>803</u>	<u>303</u>
Total revenues	49,760	51,883	51,747	(136)
Expenditures				
Current:				
Public safety	<u>54,850</u>	<u>55,025</u>	<u>32,627</u>	<u>(22,398)</u>
Net change in fund balances	(5,090)	(3,142)	19,120	22,262
Fund balances, beginning of year	<u>57,294</u>	<u>57,294</u>	<u>57,294</u>	<u>-</u>
Fund balances, end of year	<u>\$ 52,204</u>	<u>\$ 54,152</u>	<u>\$ 76,414</u>	<u>\$ 22,262</u>

The accompanying notes are an integral part of these financial statements.



**ARBELA TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**MARCH 31, 2006**

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ASSETS		<u>Total</u>
Cash and cash equivalents		\$ 9,935
Accounts receivable		<u>936</u>
Total assets		<u><u>\$ 10,871</u></u>
LIABILITIES		
Undistributed deposits		<u><u>\$ 10,871</u></u>

The accompanying notes are an integral part of these financial statements.

# ARBELA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of *Arbela Township* (the “Township”), conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies:

#### A. REPORTING ENTITY

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township and its component units. The component unit discussed below is included in the Township’s reporting entity because it is an entity for which the Township is considered to financially accountable.

**Blended Component Unit** – The Building Authority is governed by a board appointed by the Board of the Township. Although it is legally separate from the Township, the Building Authority is reported as if it were part of the primary government because its sole purpose is to acquire and finance property for the use of the Township.

**Joint Operations** – Arbela Township participates in a joint fire services board with Millington Township. Records are maintained and funds are held by Millington Township. Arbela Township pays 40% of the fire board expenses plus a flat fee for fire runs in Arbela Township. Total Arbela Township contributions for the year ended March 31, 2006 were \$30,602.

#### B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a

# ARBELA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting; the agency funds use the accrual basis of accounting, but do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within one year for reimbursement – based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

# ARBELA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *garbage fund* accounts for the collection of a separate tax millage that is used to fund the operations of garbage collection.

The *police fund* accounts for the collection of a separate tax millage that is used to fund the operations of the Tuscola County police officer assigned to the Township.

The *fire fund* accounts for the collection of a separate tax millage that is used to fund the operations of fire services.

Additionally, the Township reports the following fund types:

*Agency funds* are used to account for assets held for other governments in an agency capacity, including tax collections.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

# ARBELA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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### **D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**

#### **1. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of deposits in checking accounts and savings accounts.

#### **2. RECEIVABLES AND PAYABLES**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

#### **3. PREPAIDS**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### **4. CAPITAL ASSETS**

Capital assets, which include property, plant, and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized when purchased. Capital assets of the Township are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	5-20
Buildings and improvements	5-40
Equipment	5-20
Vehicles	4-10

# ARBELA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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### 5. FUND EQUITY

Designations of unreserved fund equity in governmental funds indicate the Township's tentative plans for use of financial resources in a future period. Reserved fund equity represents amounts legally identified for specific purposes.

## II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. BUDGETS AND BUDGETARY ACCOUNTING

Comparisons to budget are presented for the General Fund and Special Revenue Funds. The operating budget is adopted by activity for the General Fund and by function for the Special Revenue funds. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Any revisions that alter the total expenditures of any fund must be approved by the Township Board. Budgeted amounts are as originally adopted, or as amended by the Township Board.

### B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS FOR BUDGETARY FUNDS

The Township had funds with expenditures exceeding budgeted appropriations at the activity level, which is the Township's legal level of budgetary control for the year ended March 31, 2006.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>GENERAL FUND:</b>			
General government			
Elections	\$ 1,046	\$ 10,609	\$ 9,563

# ARBELA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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### III. DETAILED NOTES ON ALL FUNDS

#### A. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown in the financial statements to the Township's deposits and investments is as follows:

	<u><b>Total</b></u>
Government-wide Financial Statement Captions:	
Primary Government:	
Cash and cash equivalents	\$ 673,296
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	<u>9,935</u>
	<u>\$ 683,231</u>
Notes to Financial Statements:	
Deposits	\$ 683,031
Cash on hand	<u>200</u>
	<u>\$ 683,231</u>

#### **Investment and deposit risk:**

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* The Township's investment policy does not have specific limits in excess of state law on investment credit risk. The Township has no investments for which ratings are required.

*Custodial credit risk deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$675,055 of the Township's bank balance of \$775,055 was exposed to custodial credit risk because it was uninsured and uncollateralized.

## ARBELA TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS

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The Township is authorized by statute to invest surplus funds in the following:

- ◆ Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- ◆ Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- ◆ Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- ◆ In banker's acceptances of United States banks.
- ◆ Obligations of the State of Michigan and its political subdivisions that, at the time of purchase, are rated as investment grade by at least one standard rating service.
- ◆ Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- ◆ External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The Township Board is authorized to designate depositories for Township funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The Township's deposits are in accordance with statutory authority.

#### **B. RECEIVABLES**

Receivables in the primary government are as follows:

	<u>Governmental Activities</u>
Taxes	\$ 60,224
Accounts	<u>41,391</u>
Total	<u>\$ 101,615</u>



# ARBELA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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### C. CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 67,552	\$ -	\$ -	\$ 67,552
Capital assets being depreciated:				
Land improvements	17,420	-	-	17,420
Buildings and improvements	386,614	-	-	386,614
Equipment	26,080	-	-	26,080
Vehicles	304,756	-	(19,180)	285,576
Total capital assets being depreciated	734,870	-	(19,180)	715,690
Less accumulated depreciation				
Land improvements	(17,420)	-	-	(17,420)
Buildings and improvements	(155,281)	(8,871)	-	(164,152)
Equipment	(23,267)	(938)	-	(24,205)
Vehicles	(128,969)	(15,835)	9,590	(135,214)
Total accumulated depreciation	(324,937)	(25,644)	9,590	(340,991)
Total capital assets being depreciated, net	409,933	(25,644)	(9,590)	374,699
<b>Governmental activities capital assets, net</b>	<u>\$ 477,485</u>	<u>\$ (25,644)</u>	<u>\$ (9,590)</u>	<u>\$ 442,251</u>

# ARBELA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

General government	\$ 8,871
Public safety	15,035
Public works	<u>1,738</u>

**Total depreciation expense – governmental activities**    **\$ 25,644**

### IV. OTHER INFORMATION

#### A. DEFINED CONTRIBUTION BENEFIT PLAN

The Township contributes to the Arbela Township Allocated Retirement Account, which is a defined contribution pension plan. The plan is administered by Manulife Financial.

Contributions made by an employee vest immediately and contributions made by the Township vest after one month of full-time employment. An employee who leaves the employment of the Township is entitled to his or her contributions and the Township's contributions if vesting requirements are satisfied, plus interest earned. The Township is required to contribute 10% of the employee's annual compensation and the employee is required to contribute 5% of their annual compensation. Plan provisions and contribution requirements are established and may be amended by the Township Board.

During the Plan year, the Township's required and actual contributions amounted to \$9,392 which was 10.0% of its covered payroll. Employees contributed \$4,696 to the Plan, which was 5.0% of covered payroll. Presently, six employees participate in the Plan.

#### B. PROPERTY TAXES

Township property taxes are attached as an enforceable lien on property as of December 1 and are due without penalty on or before March 1. Real property taxes not collected as of March 1 are turned over to Tuscola County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer. Property taxes are recognized as revenue in the fiscal year in which they are levied.

# ARBELA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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The taxable value of real and personal property located in the Township at December 1, 2005, totaled \$60,542,639, which equals the State equalized value. The tax levy rates for general operating purposes, roads and police for that year were 1.4203 mills, .9372 mills, and 2.0000 mills, respectively.

### C. PRIOR PERIOD ADJUSTMENTS

During the year ended March 31, 2006, a prior period adjustment in the amount of \$3,096 was necessary to properly account for the understatement of revenue at March 31, 2005 in the General fund. The effect on the fund balance of the General fund was as follows:

Fund balance, beginning of year, as previously stated	\$ 256,118
Prior period adjustment	<u>3,096</u>
Fund balance, beginning of year, as restated	<u>\$ 259,214</u>

### D. COMMITMENTS AND CONTINGENCIES

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2006, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

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## **SUPPLEMENTARY INFORMATION**

**ARBELA TOWNSHIP  
GENERAL FUND  
SCHEDULE OF REVENUES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2006**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>TAXES</b>				
Current property taxes	\$ 124,966	\$ 126,960	\$ 126,960	\$ -
Delinquent taxes and interest	16,195	20,042	16,478	(3,564)
Total taxes	141,161	147,002	143,438	(3,564)
<b>INTERGOVERNMENTAL</b>				
Help America Vote Act grant	-	-	9,600	9,600
<b>LICENSES AND PERMITS</b>				
Building permits	25	25	25	-
Metro Authority permits	2,400	5,188	5,188	-
Other licenses and permits	100	100	100	-
Total licenses and permits	2,525	5,313	5,313	-
<b>STATE SHARED REVENUE</b>	230,000	248,190	248,190	-
<b>CHARGES FOR SERVICES</b>				
Cemetery	2,050	2,700	2,820	120
Other charges for services	12,300	14,354	10,510	(3,844)
Total charges for services	14,350	17,054	13,330	(3,724)
<b>INTEREST AND RENTAL INCOME</b>	24,450	27,031	23,085	(3,946)
<b>OTHER REVENUE</b>				
Reimbursements	3,000	8,553	7,278	(1,275)
Total revenues	\$ 415,486	\$ 453,143	\$ 450,234	\$ (2,909)

**ARBELA TOWNSHIP  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2006**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>GENERAL GOVERNMENT</b>				
Township Board	\$ 46,892	\$ 46,892	\$ 23,477	\$ (23,415)
Township Supervisor	14,575	14,575	9,441	(5,134)
Elections	-	1,046	10,609	9,563
Assessor	21,882	21,882	13,382	(8,500)
Clerk	22,761	22,761	21,743	(1,018)
Board of Review	1,430	1,430	612	(818)
Treasurer	25,944	25,944	23,840	(2,104)
Cemetery	34,546	37,277	32,592	(4,685)
Township Hall	90,569	90,569	82,644	(7,925)
	<u>258,599</u>	<u>262,376</u>	<u>218,340</u>	<u>(44,036)</u>
<b>TOTAL general government</b>				
	258,599	262,376	218,340	(44,036)
<b>PUBLIC SAFETY</b>				
Fire	375	375	250	(125)
Planning commission	8,500	8,500	2,917	(5,583)
	<u>8,875</u>	<u>8,875</u>	<u>3,167</u>	<u>(5,708)</u>
<b>TOTAL public safety</b>				
	8,875	8,875	3,167	(5,708)
<b>PUBLIC WORKS</b>				
Highways, streets and drains	187,902	187,902	167,212	(20,690)
	<u>187,902</u>	<u>187,902</u>	<u>167,212</u>	<u>(20,690)</u>
<b>RECREATION AND CULTURE</b>				
	9,800	9,825	4,825	(5,000)
	<u>9,800</u>	<u>9,825</u>	<u>4,825</u>	<u>(5,000)</u>
<b>OTHER EXPENDITURES</b>				
Employee benefits	22,600	23,525	22,330	(1,195)
Insurance	18,000	18,000	16,546	(1,454)
	<u>40,600</u>	<u>41,525</u>	<u>38,876</u>	<u>(2,649)</u>
<b>TOTAL other expenditures</b>				
	40,600	41,525	38,876	(2,649)
<b>CAPITAL OUTLAY</b>				
	40,520	40,520	23,361	(17,159)
	<u>40,520</u>	<u>40,520</u>	<u>23,361</u>	<u>(17,159)</u>
<b>TOTAL expenditures</b>				
	<u>\$ 546,296</u>	<u>\$ 551,023</u>	<u>\$ 455,781</u>	<u>\$ (95,242)</u>

**ARBELA TOWNSHIP**  
**BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUND**  
**MARCH 31, 2006**

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	Buidling Department Fund
	<u>Fund</u>
 ASSETS	
Cash and cash equivalents	\$ 1,724
Accounts receivable	<u>938</u>
Total assets	<u><u>\$ 2,662</u></u>
 LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	<u>\$ 1,233</u>
Fund balance:	
Unreserved:	
Undesignated	<u>1,429</u>
Total fund balance	<u>1,429</u>
Total liabilities and fund balance	<u><u>\$ 2,662</u></u>

**ARBELA TOWNSHIP**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**NONMAJOR GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2006**

	Building Department Fund			Over (Under) Budget
	Original Budget	Amended Budget	Actual	
REVENUES				
Licenses and permits	\$ 17,000	\$ 17,000	\$ 13,845	\$ (3,155)
Interest and rental income	15	62	62	-
Total revenues	17,015	17,062	13,907	(3,155)
EXPENDITURES				
Current:				
Public safety	19,965	19,965	14,189	(5,776)
Revenue over (under) expenditures	(2,950)	(2,904)	(282)	2,622
OTHER FINANCING SOURCES (USES)				
Transfers in	1,876	1,876	-	(1,876)
Net change in fund balances	(1,074)	(1,028)	(282)	746
Fund balances, beginning of year	1,711	1,711	1,711	-
Fund balances, end of year	<u>\$ 637</u>	<u>\$ 683</u>	<u>\$ 1,429</u>	<u>\$ 746</u>



**ARBELA TOWNSHIP  
FIDUCIARY FUNDS  
COMBINING BALANCE SHEET  
MARCH 31, 2006**

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	Agency Funds		Total
	General Agency	Current Tax Collection	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,090	\$ 4,845	\$ 9,935
Accounts receivable	-	936	936
 Total assets	 \$ 5,090	 \$ 5,781	 \$ 10,871
 <b>LIABILITIES</b>			
 Undistributed deposits	 \$ 5,090	 \$ 5,781	 \$ 10,871